

ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Machado Analyst: Roger Lackey Bill Number: AB 2416
Related Bills: See Legislative History Telephone: 845-3627 Amended Date: 08-30-2000
Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Homeowners and Renters Assistance Budget Augmentation

SUMMARY OF BILL

This bill would appropriate an additional \$60 million for the Homeowners and Renters Assistance (HRA) program.

SUMMARY OF AMENDMENT

The August 30, 2000, amendment deleted the earlier provisions of the bill relating to drug offender treatment programs and added the language discussed in this analysis.

The department did not analyze this bill in any of its prior versions.

EFFECTIVE DATE

As an urgency statute, this bill would be effective immediately.

LEGISLATIVE HISTORY

SB 1664 (Stats. 2000, Chapter 60) provides a one-time increase of 150% in HRA payments for low-income seniors and disabled individuals for the 2000 calendar year.

PROGRAM HISTORY/BACKGROUND

Since 1968, California has provided relief to senior citizens in the form of property tax assistance. In 1977 the program was extended to renters and was based on a property tax equivalent amount estimated to be paid by renters. Beginning in 1979, totally disabled homeowners and renters, regardless of age, became eligible for the program. This program is called Homeowners and Renters Assistance (HRA) and is administered by the Franchise Tax Board (FTB).

SPECIFIC FINDINGS

The HRA amount refunded to eligible persons is a partial reimbursement of the property taxes paid directly by homeowners or indirectly by renters for the previous year. Relief for homeowners is based on a percentage of the property tax paid on the first \$34,000 of the full value of the home. The amount of relief provided to the renters is based on the renter's total household income and a percentage of the property tax equivalent (\$250). The percentage used to calculate the homeowners and renters assistance varies inversely to the applicants' income levels and ranges from 4% to 96%.

Board Position:

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Department Director

Date

G. Alan Hunter for GHG

09/25/2000

To be eligible for assistance, the claimant's total household income for the prior calendar year cannot exceed an inflation-adjusted maximum amount (\$33,993 for assistance for calendar year 2000). Total household income consists of adjusted gross income (as computed for tax purposes) increased by nontaxable income including social security, cash public assistance, pensions and annuities (not otherwise taxable), unemployment insurance, tax-exempt interest, life insurance proceeds, gifts in excess of \$300, and worker's compensation payments. Also, the gross household income cannot exceed \$61,806. Gross household income is total household income plus all non-cash business expenses such as depreciation, amortization, and depletion.

Claimants may file for assistance from July 1 through October 15, inclusive. However, the FTB may accept claims through June 30 of the year following the year that assistance is claimed, given certain extenuating circumstances, such as documented medical disability during the normal filing period. It takes up to 15 weeks to process a claim.

SB 1664 (Stats. 2000, Ch. 60) provided a one-time increase of 150% in homeowners and renters assistance payments for low-income seniors and disabled individuals for the 2000 calendar year. The maximum homeowners assistance was increased from \$326.40 to \$816 and the maximum renters assistance credit was increased from \$240 to \$600.

This bill would appropriate an additional \$60 million for the HRA program.

Implementation Considerations

Implementing this bill would assist the department in its administration of the HRA program.

FISCAL IMPACT

Departmental Costs

The 2000/01 fiscal year budget approved \$256.9 million to pay HRA claims. This appropriation included the 150% increase authorized by SB 1664, based on an estimated volume of 570,000 claims, with an average claim of \$450.

The department has experienced higher than expected claim volumes and a higher average amount per claim. Based on actual experience to date, the department is projecting a volume ranging from 605,000 to 780,000 claims with an average claim amount of \$495.

As of August 18, 2000, the department had processed 390,000 claims with payments totaling \$193.2 million, leaving a balance in the appropriation of \$63.7 million. The balance is split between the homeowner's appropriation in the amount of \$25.2 million and the renter's appropriation in the amount of \$38.5 million. Due to the rate at which the department is currently receiving claims, it is expected that the department will exhaust the renter's fund in 14 days and the homeowner's fund in 59 days.

This bill would provide that the department has additional funds to process the HRA claims that have resulted due to the passage of SB 1664.

Tax Revenue Estimate

This bill would not impact the state's income tax revenue.

BOARD POSITION

Pending.